



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

For Immediate Release

Friday, May 9, 2003

Grassley Expresses Concern About Adequate Tax Guidance for Farmers

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, today asked the Treasury Department to respond to his concerns that taxpayers may be getting unclear guidance on key agricultural issues.

The text of Grassley's letter follows.

May 9, 2003

Pamela F. Olson
Assistant Secretary of the Treasury
Office of Tax Policy, Room Number 1334
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Ms. Olson:

It has been brought to my attention that due to the long evolution of federal farm subsidies, it would be appropriate for your department to review all of the current reporting requirements and determine if there is adequate published compliance guidance currently available on all types of federal farm subsidies.

As you know, throughout my career and now as the Chairman of the Senate Finance Committee, I have always believed that the only way to have a tax system based upon voluntary compliance by American taxpayers is to have fair and forthright educational tools available for the public and their advisors. This requires the Treasury and the Internal Revenue Service to review, update and reach out to those taxpayers with adequate written guidance.

Over the last few months it has been brought to my attention that the reorganization of the IRS has resulted in the termination of several agricultural tax teaching programs traditionally coordinated with agricultural universities. I find it disturbing that as the complexity of agricultural tax compliance

increases, the IRS has discontinued the availability of any training programs in this highly specialized area. It is a shame when you have taxpayers and their advisors striving to educate themselves in the correct methods of reporting that the program would be cut off for reasons based solely on reorganization.

In addition, I have also been made aware of the fact that there also seems to be inconsistencies in the "Market Segment Specialization Program", Audit Technique Guide for Farming, in reference to the correct reporting of government farm program payments. As you know, the farming economy traditionally does not work on sufficient margins from year to year to afford the luxury of realizing there are inconsistent reporting techniques upon audit several years after filing a tax return.

I believe that Rev. Rul. 87-103 needs to be reviewed and updated. In addition, I also think there is uncertainty as to the filing and reporting requirements surrounding Form CCC 1099-G. We should be helping and not hindering the American taxpayers and their advisors who are struggling to give sound advice and simply file the correct forms.

Please direct your staff to start the review and update of Rev. Rul. 87-103 along with appropriate reporting requirements by the correct government agencies, to give full updated compliance directions for all of the federal farm subsidy payments, including U.S. Department of Agriculture's current commodity certificate program.

In closing, I remind you, we need to keep American farmers doing what they do best -- feeding America, and not becoming bogged down by unclear guidance. Sound, prompt guidance by the U.S. Treasury will avoid that result.

Sincerely,

Charles E. Grassley
Chairman